

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6261**

**BILL NUMBER:** HB 1450

**NOTE PREPARED:** Dec 8, 2002

**BILL AMENDED:**

**SUBJECT:** Avon Food and Beverage Tax.

**FIRST AUTHOR:** Rep. Whetstone

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues	58,800	248,000	260,000
Local Expenditures			
Net Increase (Decrease)	58,800	248,000	260,000

**Summary of Legislation:** This bill authorizes the town of Avon to adopt an ordinance to impose a Food and Beverage Tax (the current statute applies to Mooresville, Shipshewanna, Plainfield, and Brownsburg).

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** The Department of State Revenue administers, audits, and collects local food and beverage taxes. For the year 2001, the Department administered, audited, and collected the Food and Beverage Tax at approximately \$0.51 per \$100 of revenue. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Under current law, if the fiscal body of the Town of Avon adopts an ordinance to impose the 1% Food and Beverage Tax, the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue. Additionally, if the tax is imposed by ordinance,

the Avon town fiscal officer would be required to establish a Food and Beverage Tax Receipts Fund (FBTRF). The FBTRF would consist of all revenue generated by the Avon 1% Food and Beverage Tax and interest earned from the investment of money in the fund.

**Explanation of Local Revenues:** *Summary:* If the Town of Avon passes an ordinance to impose the 1% Food and Beverage Tax, it is estimated the tax would generate **\$59,000** in CY 2003, **\$248,000** in CY 2004, and **\$260,000** in CY 2005.

*Background:* According to the most recent U.S. Census data, total food and beverage sales in Hendricks County for CY 1997 were \$68,393,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$683,930, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax, but are not included in the Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$683,930 projection is added to establish a CY 1997 baseline of \$752,323 for Hendricks County.

The average growth rate of food and beverage-related total sales in Hendricks County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 12.2%. This rate was used to project sales of food and beverages through CY 2000. Based on recent economic performance, CY 2001 and CY 2002 collections were based on state Sales Tax growth rates of 1% and 2% respectively in those years. The base amount estimated for CY 2002 was \$1,095,000.

The average growth rate in Hendricks County non-farm personal income for eating and drinking places was slightly more than twice the state average growth rate over the years 1997 through 2000. The state Sales Tax estimated growth rate from the November 14, 2001, state revenue forecast is 2.6%. Assuming income has a direct relationship to sales, the forecast Sales Tax growth rate was doubled to 5.2% and applied to the CY 2002 base of \$1.1 M to project revenue from CY 2003 through CY 2005. The CY 2003 projected base is \$1.15 M.

It is estimated that approximately 20.4% of the county's total food and beverage sales are generated in Avon, based on Hendricks County Health Department permits issued to food and beverage establishments. This percentage is applied to the CY 2003 through CY 2005 estimates.

The effective date of the bill is July 1, 2003. As a result, Hendricks County could begin receiving revenue from the Food and Beverage Tax by the fourth quarter of CY 2003. A three-month lag is applied from the effective date of the bill to account for the time required for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The projected revenue for CY 2003 would be one-quarter of the annual projection, or approximately **\$59,000** [ $0.25 \times (\$1,152,000 \times 20.4\%) = \$59,000$ ]. Twelve months of collections would begin in CY 2004.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Hendricks County.

**Information Sources:** U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis; Department of State Revenue; Hendricks County Health Department, (317) 745-9217.

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